



LOMBARD BANK

Lombard Bank Malta p.l.c.

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27th July 2004

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Lombard Bank Malta p.l.c. pursuant to the MFSA Listing Rules 8.6.2 and 8.6.19.

G A Fairclough
Company Secretary



LOMBARD BANK

General

This report is published in terms of chapters 8 and 9 of the Listing Rules of The Listing Authority, Malta Financial Services Authority.

Figures in the report have been prepared in accordance with the requirements of International Financial Reporting Standards, and the underlying accounting policies are the same as those adopted in Lombard Bank Malta p.l.c.'s (the "Bank") last published annual accounts. The published figures, which are in compliance with International Accounting Standard 34: Interim Financial Reporting, have been extracted from the Bank's unaudited accounts for the six months ended 30 June 2004, as approved by the Board of Directors on 27 July 2004.

Review of Performance

Lombard Bank Malta p.l.c. and its subsidiaries registered a pre-tax profit of Lm1,094,000 for the six months ended 30 June 2004, an improvement of 54% on 2003's Lm709,000.

Net Interest Income for the period increased by 14% to Lm1.65 million and, in spite of strong competitive pressures and generally prevailing low interest rates, the Bank increased its Net Interest Margin from 34% in 2003 to 40%. An increase in fee and commission income of 22% for the period was complemented by a 34% increase in foreign exchange trading profits. As a result, Operating Income is up from Lm1.82 million in 2003 to Lm2.15 million, an increase of 18%. Administrative expenses are up 9%, in large part due to increases in staff costs as well as overheads necessitated by upgrading of systems and operations. The charge for Net Impairment Losses of Lm43,000 is down from 2003's Lm86,000. Based on a post-tax profit of Lm708,000 for the period (2003 – Lm468,000), earnings per share work out at 17.5 cents (2003 – 11.7 cents).

Customer Deposits are marginally down on December 2003 to Lm162 million. Loans and Advances to Customers are up by 7% at Lm61.3 million denoting an appreciable increase in credit activity for the period under review. The Bank's own liquidity holdings continue to remain high. Shareholders' Funds increased to Lm12.4 million, resulting in a solvency (risk-asset) ratio of about 20%, comfortably above the regulatory minimum of 8%. Aggregate Memorandum Items of Lm25.6 million reflect the Bank's diversity of business, which includes forward exchange contracts, fiduciary transactions and guarantees on behalf of third parties. As at 30 June 2004 Total Assets stood at Lm182 million.

The Board of Directors notes that the Bank's strong performance continues to be driven by robust operating fundamentals, prudent management and a high quality customer base. The Bank is in the course of a significant upgrade in its technology and the Board is optimistic that this will feature as a main business driver in the coming years. For the second part of the current financial year the Board is confident that the emphasis on a selective business approach will sustain the delivery of a strong earnings performance and increased shareholder value.



LOMBARD BANK

Profit and Loss Account for the six months ended 30 June 2004

	Group		Bank	
	01.01.04 to 30.06.04 Lm000	01.01.03 to 30.06.03 Lm000	01.01.04 to 30.06.04 Lm000	01.01.03 to 30.06.03 Lm000
Interest receivable and similar income				
- on loans, advances and balances with Central Bank of Malta	3,137	3,170	3,137	3,169
- on debt securities	981	1,130	981	1,130
Interest payable	(2,470)	(2,850)	(2,470)	(2,850)
Net interest income	1,648	1,450	1,648	1,449
Fees and commissions receivable	236	194	225	181
Fees and commissions payable	(8)	(13)	(4)	(7)
Dividend income	23	13	23	13
Trading profits	237	177	237	177
Other operating income	20	8	20	8
Operating income	2,156	1,829	2,149	1,821
Administrative expenses	(983)	(901)	(972)	(882)
Depreciation	(35)	(36)	(34)	(36)
Net impairment losses	(43)	(86)	(43)	(86)
Provisions for contingent liabilities and other charges	-	(93)	-	(93)
Amortisation of goodwill	(1)	(2)	-	-
Profit on ordinary activities before tax	1,094	709	1,100	724
Tax on profit on ordinary activities	(387)	(245)	(387)	(245)
Profit on ordinary activities after tax	707	464	713	479
Loss attributable to minority interests	1	4	-	-
Profit for the financial period attributable to shareholders	708	468	713	479
Earnings per share	17c5	11c7	17c6	12c0



LOMBARD BANK

Balance Sheet as at 30 June 2004

	Group		Bank	
	30.06.04 Lm000	31.12.03 Lm000	30.06.04 Lm000	31.12.03 Lm000
ASSETS				
Balances with Central Bank of Malta,				
Treasury Bills and cash	61,849	60,711	61,849	60,711
Cheques in course of collection	638	699	638	699
Financial assets held for trading	39	44	39	44
Investments	24,993	25,530	24,829	25,399
Loans and advances to banks	28,378	36,628	28,377	36,628
Loans and advances to customers	61,314	57,344	61,320	57,347
Shares in subsidiary companies	-	-	154	154
Intangible assets	17	18	-	-
Tangible assets	1,801	1,532	1,799	1,529
Deferred tax asset	670	714	670	714
Other assets	173	178	167	172
Prepayments and accrued income	2,334	2,238	2,334	2,238
Total Assets	182,206	185,636	182,176	185,635
LIABILITIES				
Financial liabilities held for trading	24	85	24	85
Amounts owed to banks	224	150	224	150
Amounts owed to customers	162,551	167,595	162,582	167,654
Other liabilities	4,952	4,100	4,941	4,090
Accruals and deferred income	1,962	2,000	1,962	2,000
Minority interests	61	61	-	-
	169,774	173,991	169,733	173,979
SHAREHOLDERS' FUNDS				
Called up issued share capital	2,057	2,026	2,057	2,026
Share premium	4,537	4,341	4,537	4,341
Other reserve	111	111	111	111
Property revaluation reserve	126	126	126	126
Investment revaluation reserve	130	41	120	36
Profit and loss account	5,471	4,763	5,492	4,779
Dividend reserve	-	237	-	237
	12,432	11,645	12,443	11,656
Total Liabilities	182,206	185,636	182,176	185,635
MEMORANDUM ITEMS				
Contingent liabilities	3,298	3,524	3,298	3,524
Commitments	22,304	17,201	22,304	17,201



LOMBARD BANK

Statement of Changes in Equity for the period 1 January 2004 to 30 June 2004

Group	Total Issued Capital Lm000	Called Up Share Premium Lm000	Other Reserve Lm000	Property Revaluation Reserve Lm000	Investment Revaluation Reserve Lm000	Profit and Loss Account Lm000	Dividend Reserve Lm000
At 1 January 2003	10,628	4,227	111	126	(14)	4,113	57
Dividends payable	(57)	-	-	-	-	-	(57)
Net profit on available-for-sale assets recognised in Investment Revaluation Reserve	6	-	-	-	6	-	-
Profit for the period	468	-	-	-	-	468	-
At 30 June 2003	11,045	4,227	111	126	(8)	4,581	-
At 1 January 2004	11,645	4,341	111	126	41	4,763	237
Dividends payable	(237)	-	-	-	-	-	(237)
Rights issue of ordinary shares	227	196	-	-	-	-	-
Net profit on available-for-sale assets recognised in Investment Revaluation Reserve	89	-	-	-	89	-	-
Profit for the period	708	-	-	-	-	708	-
At 30 June 2004	12,432	4,537	111	126	130	5,471	-



LOMBARD BANK

Statement of Changes in Equity for the period 1 January 2004 to 30 June 2004

Bank	Total Issued Share Capital Lm000	Called Up Share Premium Lm000	Share Premium Lm000	Other Reserve Lm000	Property Revaluation Reserve Lm000	Investment Revaluation Reserve Lm000	Profit and Loss Account Lm000	Dividend Reserve Lm000
At 1 January 2003	10,631	2,008	4,227	111	126	(14)	4,116	57
Dividends payable	(57)	-	-	-	-	-	-	(57)
Net profit on available-for-sale assets recognised in Investment Revaluation Reserve	6	-	-	-	-	-	-	-
Profit for the period	479	-	-	-	-	6	479	-
At 30 June 2003	11,059	2,008	4,227	111	126	(8)	4,595	-
At 1 January 2004	11,656	2,026	4,341	111	126	36	4,779	237
Dividends payable	(237)	-	-	-	-	-	-	(237)
Rights issue of ordinary shares	227	31	196	-	-	-	-	-
Net profit on available-for-sale assets recognised in Investment Revaluation Reserve	84	-	-	-	-	84	-	-
Profit for the period	713	-	-	-	-	-	713	-
At 30 June 2004	12,443	2,057	4,537	111	126	120	5,492	-



LOMBARD BANK

Cash Flow Statement for the period 1 January 2004 to 30 June 2004

	Group		Bank	
	01.01.04 to 30.06.04 Lm000	01.01.03 to 30.06.03 Lm000	01.01.04 to 30.06.04 Lm000	01.01.03 to 30.06.03 Lm000
Cash flows from operating activities				
Interest and commission receipts	3,489	3,398	3,476	3,386
Interest and commission payments	(2,551)	(2,490)	(2,544)	(2,483)
Payments to employees and suppliers	(948)	(827)	(938)	(809)
Operating (loss) /profit before changes in operating assets/liabilities	(10)	81	(6)	94
(Increase)/decrease in operating assets:				
Deposits with Central Bank of Malta	(1,252)	2,546	(1,252)	2,546
Loans and advances to banks and customers	(4,674)	396	(4,677)	389
Treasury Bills with contractual maturity of over three months	(11,009)	(2,457)	(11,009)	(2,457)
Other receivables	5	(6)	5	(3)
Increase/(decrease) in operating liabilities:				
Amounts owed to customers	(5,044)	17,863	(5,073)	17,861
Other payables	615	49	614	49
Net cash (used in)/from operating activities before income tax	(21,369)	18,472	(21,398)	18,479
Tax paid	(148)	(320)	(148)	(320)
Net cash (used in)/from operating activities	(21,517)	18,152	(21,546)	18,159
Cash flows from investing activities				
Dividends received	15	13	15	13
Interest received from investments	963	1,125	963	1,125
Proceeds on maturity/disposal of investments	1,232	1,496	1,232	1,496
Purchase of investments	(548)	(78)	(522)	(78)
Purchase of property, plant and equipment	(303)	(144)	(303)	(144)
Net cash flows from investing activities	1,359	2,412	1,385	2,412
Cash flows from financing activities				
Dividends paid	(10)	(57)	(10)	(57)
Cash used in financing activities	(10)	(57)	(10)	(57)
Net (decrease)/increase in cash and cash equivalents	(20,168)	20,507	(20,171)	20,514
Cash and cash equivalents at beginning of period	79,084	53,470	79,084	53,463
Cash and cash equivalents at end of period	58,916	73,977	58,913	73,977